

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7625

BILL NUMBER: HB 1582

NOTE PREPARED: Jan 20, 2007

BILL AMENDED:

SUBJECT: ISTEP.

FIRST AUTHOR: Rep. Kersey

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *ISTEP & Federal/State Accountability Requirements-* The bill makes the ISTEP examination an assessment that may not be used to evaluate students, teachers, administrators, or schools.

ISTEP For Diagnostic Use- The bill makes the ISTEP an assessment to be used to diagnose the areas in which a student is in need of intervention or remediation and to aid schools in designing their curricula to enhance the education of their students.

ISTEP & School Performance- The bill prohibits the results of the ISTEP from being used as criteria by which a school receives either an award or a punishment.

Elimination of Graduation Examination- The bill eliminates the graduation examination.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *ISTEP & Federal/State Accountability Requirements-* This provision would have an indeterminable impact on state expenditures. Removal of ISTEP's accountability component would require the state to adopt another means of assessment to meet state accountability requirements and the federal No Child Left Behind Act (NCLBA).

If ISTEP were downgraded to a diagnostic assessment, it is possible ISTEP may not require as much funding as is currently appropriated. If appropriations were reduced, then the reduction could be used to develop a new accountability assessment to meet state and federal requirements. The federal government currently provides funding for testing in grades not currently required by state law. Removal of the ISTEP as Indiana's

accountability assessment could possibly jeopardize that source of funding.

Elimination of Graduation Examination- The bill would convert the graduation examination into a "10th grade ISTEP" examination. The impact of this provision to state expenditures is indeterminable. The existing graduation examination may be taken up to four times *after* the initial sitting if a student has failed to pass the exam. If the proposed 10th grade ISTEP were only offered once to 10th grade students, there could be a savings to state expenditures as a result.

Background- For FY 2007, the General Assembly appropriated the following amounts:

School Assessment Appropriations	FY 2007 Appropriation
ISTEP Testing and Remediation (General Fund)	\$31.4 M
Graduate Examination Remediation (General Fund)	\$4.96 M
ISTEP Grades 4, 5, 7 & 9 tested under No Child Left Behind. (Federal)	\$8.99 M
TOTAL APPROPRIATION (State & Federal)	\$45.4 M

Explanation of State Revenues:

Explanation of Local Expenditures: *ISTEP & School Performance-* This provision could remove federal Title I funding constraints on schools placed on disciplinary status due to ISTEP performance. However, removal of ISTEP as the state's accountability determinant for school improvement or Adequate Yearly Progress (AYP) may jeopardize Title I funding.

Placement of Schools Based on AYP: There are currently five categories for schools to be placed in based on ISTEP results: Exemplary Progress, Commendable Progress, Academic Progress, Academic Watch, and Academic Probation. The following table depicts the number of school corporations in each category:

School Corporation Accountability Placement Category	Number of School Corporations
Exemplary Progress	59
Commendable Progress	49
Academic Progress	46
Academic Watch	139
Academic Probation	1
TOTAL	294

Schools with up to 40% of the student body receiving a free or reduced price lunch are considered eligible for Title I funds. Schools receiving federal Title I funds are required to make AYP under the No Child Left

Behind Act. Failure to meet AYP for two consecutive years requires schools to set aside 10% of Title I funds received. The set-aside funds are then to be used for professional development.

Appeals of ISTEP Results: Fifty-two schools appealed their ISTEP results during the 2005-2006 school year including 28 elementary, 6 middle, and 14 high schools. There were several reasons for the appeals including the type of population served (low income, special education, and LEP), change in demographics that affected Title I eligibility, undeterminable test scores, and restructuring or closing schools.

AYP Improvement Requirements: Once a school has been designated as needing improvement, there are several steps taken with each successive year to improve the school beginning in year one with school improvement and ending in year five with school restructuring. The following table illustrates the AYP improvement requirements and details the action taken by the school.

AYP Improvement Requirements:	Status	Improvement Requirements
Not met AYP for two consecutive years	School Improvement (Year One)	(1) Students offered public school choice (2) school must develop or revise two-year school improvement plan (3) school must set aside 10% of Title I funds for professional development.
Not met AYP for three years	School Improvement (Year Two)	(1) School must provide supplemental educational services to low-income students (2) Maintain 10% of Title I funds for professional development* (3) maintain school choice.*
Not met AYP for four consecutive years	Corrective Action (Year Three)	School corporation must take one of the following corrective actions: (1) school staff replacement (2) implement new curriculum (3) reduce school level management authority (4) extend school day or school year (5) appoint expert assistance to school (6) internal school reorganization.
Not met AYP for five years	Restructuring (Year Four)	School corporation must prepare plan to carry out one of the following options: (1) convert school to charter (2) replace principal and staff (3) Contract for private management (4) state takeover (5) other major school governance restructuring.
Not met AYP for six years	Implement Restructuring (Year Five)	Implement one of the options under restructuring planning during year four.
*Ongoing throughout length of time school does not meet AYP.		

Explanation of Local Revenues: See *Explanation of Local Expenditures*.

State Agencies Affected:

Local Agencies Affected: School corporations.

Information Sources: Department of Education; *State of Indiana List of Appropriations July 1, 2005 - June 30, 2007*; Public Law 221 Presentation to State Board of Education 9/9/2006.

Fiscal Analyst: Chris Baker, 317-232-9851.